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Derek Gee / News file photo

Audit: CVB pay, ad expense compared with others

Bureau spent more on salaries

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The Buffalo Niagara Convention and Visitors Bureau spends more of its budget to pay salaries and less to advertise the region than some similar bureaus in the Northeast do, county auditors said Wednesday. They also found that the bureau might owe the county a refund of about \$110,000.

"If you are spending more on salaries and less on advertising ... you are not getting as much bang for the buck," County Comptroller Mark C. Poloncarz said as he explained his audit team's findings.

Dottie Gallagher-Cohen, the bureau's president and chief executive, faulted the audit, saying it relied on incomplete data and compared agencies with different missions. For example, only one other agency in the comparison runs a convention center and

employs a work force to draw convention center events, like the local bureau does, she said.

She also disputed the audit's findings that the bureau ended 2008 and 2009 with surpluses totaling about \$130,000 and that a large portion must go back to County Hall. While the bureau reported surpluses on its tax documents, which the auditors compared, that money is encumbered for specific future needs.

Gallagher-Cohen agreed with Poloncarz that the bureau's contract with Erie County — drawn up by County Executive Chris Collins' lawyers — should be clarified.

Poloncarz said he intends to discuss with Collins whether to press the bureau for the money.

The report complimented the bureau by finding that it has less to spend than many competitors but books a high number of definite room nights — 150,000 in 2010 — and that the county's hotel occupancy rate consistently exceeds the national average.

Largely for those reasons, Poloncarz' auditors said they do not believe Erie County has a glut of hotel rooms, despite the sentiments of some local hoteliers. Poloncarz said some of the hotel owners asked him in 2009 to suspend bed tax collections because they were struggling. He refused.

The not-for-profit Buffalo Niagara Convention and Visitors Bureau promotes the region for conventions, entertainment and filmmaking. About 85 percent of its budget comes from county government, which collects the bed tax that hotel guests pay.

To assess the local bureau's spending habits, the auditors compared it with bureaus they consider similar — those serving Greater Rochester, Albany County, Niagara County, Long Island, Bucks County, Pa., and Lehigh Valley, Pa.

All spent about \$3 million drawing visitors in 2008, except for Albany County, which spent \$1.6 million, the auditors said after examining public financial information that the agencies report to the IRS. The amounts don't include the cost to run convention centers, which Buffalo Niagara and Greater Rochester do. But the amounts do include the cost of employees to help draw and book convention center events.

The auditors said 53 percent of the Buffalo Niagara bureau's expenses went to salaries in 2008, the second highest percentage in the group after Albany County's 56 percent. The third highest was Greater Rochester, with 41 percent of its total expenses going to employee salaries.

Buffalo Niagara's total \$1.6 million payroll and its average expense for each employee were higher than all others, the auditors said, though they admitted they did not compare whether agencies relied more on part-time workers, full-timers or volunteers, and other factors that affect wages, such as years of service and a region's cost of living.

Gallagher-Cohen said a much wider comparison of 249 agencies nationwide by the Destination Marketing Association showed that the Buffalo Niagara bureau's salaries were 2 percent less than the average paid at similar agencies.

Meanwhile, the auditors found that the local bureau devoted a small percentage of its total expenses to advertising and promotion: 14 percent. Only Albany County's agency spent less: 11 percent.

Gallagher-Cohen disputed the conclusion. She said that while that is the figure reported to the IRS, the bureau actually spent a greater percentage in the total realm of "advertising, marketing and promotion" that is not reflected in its federal tax documents.

The auditors looked at the bureau's operations for a 30-month period that began Jan. 1, 2008. For half that time, Richard Geiger was the executive director, with a compensation package that provided him with about \$200,000 annually. Collins, dissatisfied with Geiger, forced him out by choking off the county's support and installing more of his appointees on the board, giving Collins a level of influence that Poloncarz found excessive. Geiger left in May 2009.

Gallagher-Cohen, installed in 2010, provided records to show that she was paid \$175,000 that year, when she passed up an almost \$44,000 bonus. She said that without the bonus, her compensation registered about 26 percent below the median of chief executives for bureaus with similar numbers of employees and resources.